

10 Overlooked Assets That Add Value to CRE Firms

For example, property with below-market lease rates is a very valuable asset.

By **Joseph J. Ori** | June 25, 2025 at 05:23 AM

In these tumultuous times for the CRE business, it makes sense for CRE investment organizations to step back and examine the hidden values ingrained in their organizations. Especially today, since transaction volume is still down 70% since the Fed began raising interest rates in March 2022. There are many hidden and opaque tenets in management, business models, operations, and financial structures that have inherent value within a CRE company.

Managers of CRE firms must know of or at least be cognizant of these values to exploit them and further enhance the worth of their real estate assets and business. Ten of these hidden variables are discussed below.

1. Optionality Throughout the CRE Organization

This includes, using special purpose entities to hold properties, using interest swaps and collars to protect against interest rate risk, using nonrecourse debt that provides a “Put” back to the lender, rights of first refusal and buy-sell agreements, using an UpReit structure which allows sellers to defer their capital gain on property sales to an UpReit and land banking by homebuilders. Optionality can reduce risk, increase return, and, in general, allow for various trade-offs and real option choices.



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2. The Value of a Property Management Operation

Many CRE investment organizations overlook or fail to prioritize their property management function. All CRE investment organizations should manage their own properties with a separate property management entity. An effectively managed property management entity can generate a net margin of 10% or more and can be a valuable operating asset for a corporation. It can easily be sold, financed, and expanded as a separate entity.

3. Use of Proptech and Data Analytics Software

Proptech software and data analytics can streamline operations, increase productivity and efficiency, and foster closer tenant relationships. There are hundreds of proptech companies providing software and analytics to improve the financial, accounting, reporting and operational aspects of CRE. The adoption of this software should be a key goal for all CRE investment firms.

4. Low-Cost Debt

In these times of high interest rates, CRE firms with low-cost debt, especially if it's assumable upon sale, create tremendous value.



5. A History of Solid Investment Performance

CRE investment firms with a solid and long-term track record of delivering high returns on equity investments are of exceptional value. They can attract more capital and increase the value of their organizations. It also makes raising new capital easier and quicker.

6. Diversification of a National CRE Portfolio

Proper diversification of a national property portfolio by property type, location, and industry (the portfolio does not have a high percentage of tenants that work in one industry). As in corporate finance, diversification of a stock portfolio with a minimum of about twenty stocks eliminates nonsystematic or diversifiable risk. The same is true of a CRE portfolio.

7. Moderate Leverage

Buying properties with moderate leverage at less than 70% of value or cost to minimize future debt issues and defaults. Many CRE investors prefer high leverage to reduce the amount of equity required and increase the return on equity. However, high leverage can be an expensive dead weight if the economy sinks or property fundamentals deteriorate.

8. Acquiring Properties at Good Cap Rates

One of the biggest mistakes CRE investors make is to acquire property at low cap rates and exorbitant prices. This occurred from 2012 through 2022, when the federal funds rate was zero and the



fallen in price 30%-40%+.

9. Below Market Lease Rates

CRE firms that own property with below-market lease rates are a very valuable asset. As long as the firm doesn't have to pay up front via a low cap rate for below-market lease properties, they are a future hidden asset that generates higher net operating income, cash flow, and value.

10. Using a Holding Company Structure

CRE organizations that are structured using a top holding company with separate entities or subsidiaries for property investments, asset management, and brokerage fees, and property management can create corporate "Enterprise Value," wherein the value of each entity is worth more than the property investments alone.

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